

# New approach to innovation: Co-creating value with lead users

Kaisa Koskela and Teea Palo,  
Department of Marketing



- In this paper we present a new approach to innovation: Co-creating value with lead users.
- The purpose of this paper is to present the main gaps in earlier research as well as give fresh ideas and future research directions in this given field of study.
- The paper is theoretical and lays ground for future research.

- Co-creating value with customers is more often seen as the answer to the challenges faced by management (Prahalad & Ramaswamy 2004)
  - This value co-creation process usually implies to the design, delivery and consumption stages of products and services (e.g. Payne, Storbacka & Frow 2008)
  - Customers can be a valuable source for innovating new products and services
- > **Value co-creation with customers important already at the innovation stage**

## Value co-creation in innovation networks

- Value co-creation usually refers to the interaction between the customer and the supplier (Payne et al. 2008; Prahalad & Ramaswamy 2004)
  - More often there is a network of actors involved in creating value to the customer (Kothandaraman & Wilson 2001)
  - Three types of net(works) which aim to develop and commercialize new technologies, products or business concepts (Möller & Rajala 2007):
    - 1) **Innovation networks**
    - 2) Dominant design nets
    - 3) Application nets
- > **customers should be integrated into the innovation networks**

- To succeed in value co-creation with customers at the innovation stage, the right customers need to be chosen.
- **Lead users** can be valuable members in the innovation networks.
  - They are more likely to adopt as well as develop new products or services (Henkel & von Hippel 2005).
  - They face new needs earlier than other customers (Franke, von Hippel & Schreier 2006).
  - The innovations created by lead users are more commercially attractive than those made by ordinary customers (Urban & von Hippel 1988).

- Lead users should be **an integral part throughout the whole innovation process.**
- For example:
  - Lead users can serve as a need-forecasting laboratory and a source of innovation (von Hippel 1986).
  - They can be integrated into later prelaunch stages such as concept and prototype testing phases (Schreier, Oberhauser & Prügl 2007).
  - After launch they might be tapped for modification and improvement ideas (Urban & von Hippel 1988).

**Identified four major issues that need further attention:**

- 1.** Value co-creation with customers important already at the innovation stage.
- 2.** Customers need to be integrated into the innovation networks.
- 3.** Right customers need to be identified → Lead users.
- 4.** Lead users should be an integral part of the whole innovation process to optimize the value co-creation.

**Thank you!**

Questions and comments are welcome!